2020 · SHOULD I CONSIDER DOING A ROTH CONVERSION?

MOUNTAIN PEAK
WEALTH ADVISORS, LLC

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Will you need the distributions from your retirement account?

- No → Are the beneficiaries of your retirement accounts qualified charitable organizations?
  - Yes → Sorry, a Roth conversion offers little advantage to you, and none to your beneficiaries. Consider making QCDs during your lifetime and transferring your traditional retirement accounts at your death.
    - → Reference "Can I Do a Qualified Charitable Distribution From My IRA?" flowchart.
  - No → Do you expect your beneficiaries to be subject to high income tax rates in the future?
    - No → Sorry, if your beneficiaries are in low tax brackets, the cost of conversion may not be justified.
      - → Increasing your income with Roth conversions could impact the amount you pay/receive through income-based programs.
    - Yes → Do you have cash outside of your retirement accounts to pay the income taxes due upon conversion?
      - No → Using retirement funds to pay tax erodes the value of a Roth conversion, but you may still benefit if you have a long time horizon to enjoy tax-free growth and your future income tax rates will remain high.
        - → Will you need distributions from the Roth IRA within five years of converting?
          - Yes → Be mindful of the 5-year rule. Reference "Will My Roth IRA Conversion Be Penalty Free?" flowchart.
            - → Are you currently, or will you in the near future become, a participant in programs where your eligibility/treatment is income-based (such as Medicare/IRMAA, financial aid, or ACA subsidies)?
              - No → Low asset valuations (due to a market correction, etc.) or expiring carryforwards and credits could provide additional incentives to do a Roth conversion.
              - Yes → Increasing your income with Roth conversions could impact the amount you pay/receive through income-based programs.
          - No → After your death, income tax-free distributions will be advantageous to your beneficiaries.
            - → Inheriting Roth assets will be particularly valuable to "Non-Eligible Designated Beneficiaries," who are subject to the 10-Year Rule, which accelerates distributions (and therefore taxation) if the assets remained in an IRA.
      - Yes → Consider doing Roth conversions. The Roth IRA will not be subject to RMDs, and it can allow the account to grow tax-free.
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    - → Reference "Can I Do a Qualified Charitable Distribution From My IRA?" flowchart.
- Yes → Do you expect to be subject to lower income tax rates during most of your retirement either due to income levels or future tax reform?
  - Yes → Sorry, converting and paying tax today at a higher rate may not be advantageous. Consider deferring tax liability until distributions are needed and/or required.
  - No → Do you have cash outside of your retirement accounts to pay the income taxes due upon conversion?
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